

**COURT OF APPEALS
DECISION
DATED AND RELEASED**

DECEMBER 27, 1996

A party may file with the Supreme Court a petition to review an adverse decision by the Court of Appeals. See § 808.10 and RULE 809.62(1), STATS.

NOTICE

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No. 96-0620

STATE OF WISCONSIN

**IN COURT OF APPEALS
DISTRICT III**

A-C COMPRESSOR CORPORATION,

Plaintiff-Respondent,

v.

**FRANCIS ZENO, D/B/A EQUIPMENT
SERVICE-SALES SPECIALISTS,**

Defendant-Appellant.

APPEAL from a judgment and an order of the circuit court for Outagamie County: HAROLD V. FROEHLICH, Judge. *Affirmed.*

Before Cane, P.J., LaRocque and Myse, JJ.

LaROCQUE, J. Francis Zeno appeals a judgment and an order for restitution to A-C Compressor Corporation (ACC) after a jury found that Zeno breached a confidentiality agreement. Following the verdict, the trial court ordered the jury's compensatory damage award of \$56,000 for breach of contract set aside and substituted a restitution order for \$18,400, representing a percentage of the profits the court found Zeno realized from misappropriation

of trade secrets.¹ Zeno asserts that the trial court erroneously applied the wrong measure of damages in an action at law for breach of contract. Alternatively, Zeno contends that the evidence is insufficient to support the court's award. Because the trial court implicitly found that ACC established a claim in equity recognized by § 134.90, STATS., and because the trial evidence supports the amount awarded, we reject Zeno's contentions and affirm.

Zeno does not challenge the jury finding that he breached his confidentiality agreement with ACC, and thus a detailed recitation of the evidence presented to the jury is unnecessary. It is sufficient to state that there was conflicting evidence whether ACC took reasonable steps to maintain the secrecy of the information the confidentiality contract aimed to protect. Such steps are a condition for a claim pursuant to § 134.90, STATS.² Wisconsin

¹ ACC does not cross-appeal the trial court's decision to set aside the jury's compensatory damage award.

² Section 134.90, STATS., provides:

(1) Definitions. In this section:

- (a) "Improper means" includes espionage, theft, bribery, misrepresentation and breach or inducement of a breach of duty to maintain secrecy.
 - (b) "Readily ascertainable" information does not include information accessible through a license agreement or by an employee under a confidentiality agreement with his or her employer.
 - (c) "Trade secret" means information, including a formula, pattern, compilation, program, device, method, technique or process to which all of the following apply:
 - 1. The information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use.
 - 2. The information is the subject of efforts to maintain its secrecy that are reasonable under the circumstances.
- (2) Misappropriation. No person, including the state, may misappropriate or threaten to misappropriate a trade secret by doing any of the following:
- (a) Acquiring the trade secret of another by means which the person knows or has reason to know constitute improper means.
 - (b) Disclosing or using without express or implied consent a trade secret of another if the person did any of the following:
 - 1. Used improper means to acquire knowledge of the trade secret.
 - 2. At the time of disclosure or use, knew or had reason to know that he or she

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obtained knowledge of the trade secret through any of the following means:

- a. Deriving it from or through a person who utilized improper means to acquire it.
- b. Acquiring it under circumstances giving rise to a duty to maintain its secrecy or limit its use.
- c. Deriving it from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use.
- d. Acquiring it by accident or mistake.

(3) Injunctive relief. (a) 1. A court may grant an injunction against a person who violates sub. (2). Chapter 813 governs any temporary or interlocutory injunction or ex parte restraining order in an action under this section, except that no court may issue such an injunction or restraining order unless the complainant makes an application which includes a description of each alleged trade secret in sufficient detail to inform the party to be enjoined or restrained of the nature of the complaint against that party or, if the court so orders, includes written disclosure of the trade secret. The complainant shall serve this application upon the party to be enjoined or restrained at the time the motion for the injunction is made or the restraining order is served, whichever is earlier.

2. Except as provided in subd. 3., upon application to the court, the court shall terminate an injunction when a trade secret ceases to exist.
3. The court may continue an injunction for a reasonable period of time to eliminate commercial advantage which the person who violated sub. (2) otherwise would derive from the violation.

(b) In exceptional circumstances, an injunction granted under par. (a) may condition future use of a trade secret by the person who violated sub. (2) upon payment of a reasonable royalty by that person to the owner of the trade secret for no longer than the period of time for which the court may enjoin or restrain the use of the trade secret under par. (a). Exceptional circumstances include a material and prejudicial change of position, prior to acquiring knowledge or reason to know of a violation of sub. (2), that renders an injunction inequitable.

(c) In appropriate circumstances, the court may order affirmative acts to protect a trade secret.

(4) Damages. (a) Except to the extent that a material and prejudicial change of position prior to acquiring knowledge or reason to know of a violation of sub. (2) renders a monetary recovery inequitable, a court may award damages to the complainant for a violation of sub. (2). A court may award damages in addition to, or in lieu of, injunctive relief under sub. (3). Damages may include both the actual loss caused by the violation and unjust enrichment caused by the violation that is not taken into account in computing actual loss. Damages may be measured exclusively by the imposition of

adopted many of the provisions of the Uniform Trade Secrets Act in § 134.90, STATS., effective April 4, 1986. 1985 Wis. Act 236; *see* § 194.30, cmts. (WIS. STATS. ANN. 1989). The court may award restitution to prevent unjust enrichment. *See* § 134.90, STATS.

Zeno concedes that disgorgement of profits is a proper remedy for a violation of this statute. He contends, however, that this statutory provision for misappropriation of a trade secret is premised "on the actual loss caused by the violation." We disagree. More accurately, § 134.90, STATS., unequivocally says that damages "may include both the actual loss caused by the violation and unjust enrichment caused by the violation that is not taken into account in computing actual loss." Section 134.90(4)(a), STATS.

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- liability for a reasonable royalty for a violation of sub. (2) if the complainant cannot by any other method of measurement prove an amount of damages which exceeds the reasonable royalty.
- (b) If a violation of sub. (2) is wilful and malicious, the court may award punitive damages in an amount not exceeding twice any award under par. (a).
- (c) If a claim that sub. (2) has been violated is made in bad faith, a motion to terminate an injunction is made or resisted in bad faith, or a violation of sub. (2) is wilful and deliberate, the court may award reasonable attorney fees to the prevailing party.
- (5) Preservation of secrecy. In an action under this section, a court shall preserve the secrecy of an alleged trade secret by reasonable means, which may include granting a protective order in a discovery proceeding, holding an in-camera hearing, sealing the record of the action and ordering any person involved in the action not to disclose an alleged trade secret without prior court approval.
- (6) Effect on other laws. (a) Except as provided in par. (b), this section displaces conflicting tort law, restitutionary law and any other law of this state providing a civil remedy for misappropriation of a trade secret.
- (b) This section does not affect any of the following:
 1. Any contractual remedy, whether or not based upon misappropriation of a trade secret.
 2. Any civil remedy not based upon misappropriation of a trade secret.
 3. Any criminal remedy, whether or not based upon misappropriation of a trade secret.
- (7) Uniformity of application and construction. This section shall be applied and construed to make uniform the law relating to misappropriation of trade secrets among states enacting substantially identical laws.

Nevertheless, Zeno also contends that because misappropriation of a trade secret is grounded in tort while ACC presented a breach of contract claim to the jury, there was no grounds for the court to impose upon him the remedy available in a tort action.³

We also reject this contention. Neither the Wisconsin Constitution nor the statutes contemplate the right to trial by jury in equitable matters.⁴ Trial courts may use as advisory findings by a jury, although the findings are not binding on the trial court, which may make its own findings and render a judgment thereon. *In re Acme Brass & Metal Works*, 225 Wis. 74, 78, 272 N.W. 356, 357 (1937). The decision whether to grant equitable relief is within the trial court's discretion. *Zinda v. Krause*, 191 Wis.2d 154, 175, 528 N.W.2d 55, 62 (Ct. App. 1995). The fact that there is a remedy at law, in contrast to an equitable one, does not deprive the trial court of equity jurisdiction unless the legal remedy is adequate. *Ferguson v. City of Kenosha*, 5 Wis.2d 556, 561, 93 N.W.2d 460, 463 (1958). Thus, for example, even though a breach of contract for support can be measured in money damages, this does not require the trial court to deny an equitable remedy of rescission. *Bergman v. Bernsdorf*, 271 Wis. 401, 407, 73 N.W.2d 595, 598 (1955).

³ Zeno's contract analysis is based upon the premise that the proper measure of damages for the breach is lost net profits before taxes. Zeno then notes that net profits are computed as follows: gross sales less the cost of goods equals gross profits; gross profits minus the operating expenses equals net profits. Zeno reasons that because ACC failed to present evidence by which net profits could be determined, ACC failed to prove contract damages.

⁴ Article I, § 5 of the Wisconsin Constitution entitled "Trial by jury; verdict in civil cases" provides:

[As amended Nov. 1922] The right of trial by jury shall remain inviolate, and shall extend *to all cases at law* without regard to the amount in controversy (Emphasis added.)

Section 805.02, STATS., provides:

Advisory jury and trial by consent. (1) In all actions not triable of right by a jury, the court upon motion or on its own initiative may try any issue with an advisory jury.

While the trial court did not make explicit findings to support a judgment for misappropriation of trade secrets, those findings are implicit in its decision. Appellate courts may assume that a missing finding on an issue "was determined in favor of or in support of the judgment." *Sohms v. Jensen*, 11 Wis.2d 449, 453, 105 N.W.2d 818, 820 (1960). Appellate courts may affirm a result the evidence would sustain had the trial court made a specific finding supporting that result. Here, the evidence supports the trial court's implicit finding that the information at issue was a trade secret as defined in § 134.90(1)(c), STATS., and that Zeno engaged in misappropriation as described in subsec. (2) of the statute. We therefore hold that any failure to adequately prove contract damages is no bar to application of an equitable remedy.

Finally, Zeno contends that even if disgorgement of Zeno's profits is a correct measure of damages, there was no factual basis to support restitution because Zeno did not have any profits and was not unjustly enriched. Apparently, this contention is based on the fact that Zeno's business operation was a corporation that he formed in 1994, and, according to the corporate tax return, the corporation suffered a \$5,000 loss for 1994.

In addressing the issue of ACC's damages, the trial court ruled as follows:

The testimony clearly showed that the defendant's salary from his corporation was \$28,000.00 for the period in question; that the corporation itself after paying Zeno's salary showed a \$5,000.00 loss; that the defendant's corporation started out with 90% of sales related to A-C Compressor parts and ended the period with 30% of the business sales non A-C parts. Therefor, considering the net corporate assets and personal salary benefit to defendant (\$28,000 - \$5,000 = \$23,000) and considering an average corporate profits of 20% from non A-C Compressor parts, the proper measure of damages based upon this trial record is set at \$18,400 ($\$23,000 \times 80\% = \$18,400$).

We conclude that the evidence supports the trial court's decision on damages, and the fact that Zeno funneled the profits through a corporation is not an impediment to equitable relief. The restitution order was a proper exercise of the court's discretion based upon the facts of record. *See* § 805.17(2), STATS. We therefore affirm the judgment.

By the Court. – Judgment and order affirmed.

Not recommended for publication in the official reports.